
AGREEMENT FOR THE INTEGRATION OF
LUTHERAN HEALTH SERVICES, INC. AND ITS SUBSIDIARIES
INTO THE RESEARCH HEALTH SERVICES SYSTEM

Dated: January 31, 1990
Closing On: January 31, 1990

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AGREEMENT

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AGREEMENT FOR THE INTEGRATION OF
LUTHERAN HEALTH SERVICES, INC.
AND ITS SUBSIDIARIES INTO THE
RESEARCH HEALTH SERVICES SYSTEM

THIS AGREEMENT is made and entered into on the 31st day of January, 1990, by and among LUTHERAN HEALTH SERVICES, INC., a Missouri not-for-profit corporation (hereinafter referred to as "LHS"), and RESEARCH HEALTH SERVICES, a Missouri not-for-profit corporation (hereinafter referred to as "RHS").

Trinity was a LHS sub.

- W I T N E S S E T H -

WHEREAS, LHS is exempt from federal income taxation under §501(c)(3) of the Code and serves as the parent holding company for an integrated system of organizations dedicated to the delivery of health care services to the Kansas City metropolitan area and the surrounding region, and which is anchored by TRINITY LUTHERAN HOSPITAL, a Missouri not-for-profit corporation which is exempt from income taxation under §501(c)(3) of the Code and which operates a 731-bed tertiary care hospital located at 3030 Baltimore, Kansas City, Missouri (hereinafter referred to as "TLH");

WHEREAS, RHS is exempt from federal income taxation under §501(c)(3) of the Code and serves as the parent holding company for the Research Health Services System ("RHSS"), which is an integrated system of organizations dedicated to the delivery of health care services to the Kansas City metropolitan area and the surrounding region, and which is anchored by RESEARCH MEDICAL CENTER, a Missouri not-for-profit corporation which is exempt from income taxation under §501(c)(3) of the Code and which operates a 536-bed tertiary care hospital located at 2316 East Meyer Boulevard, Kansas City, Missouri (hereinafter referred to as "RMC");

WHEREAS, LHS and RHS previously signed a Letter of Intent, dated November 2, 1989 (the "Letter of Intent"), which established principles of agreement for the intended integration of LHS and its subsidiaries into RHSS;

WHEREAS, the parties now desire to establish their complete agreement regarding the proposed integration of LHS and its subsidiaries into RHSS;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter set forth, the parties agree as follows:

ARTICLE I

AGREEMENT TO INTEGRATE LHS AND SUBSIDIARIES INTO RHSS

Section 1.1 LHS Representation on RHS Board. Subject to the terms and conditions hereinafter set forth and only upon satisfaction of the conditions to closing established by this Agreement, on the Closing Date (as defined in Section 5.1 hereinafter), RHS shall amend its By-Laws as appropriate and necessary to:

(a) Increase the size of the Board of Directors of RHS to a number adequate to accommodate election to the RHS Board of six (6) of the current members of the Board of Directors of LHS and one (1) of the current members of the Board of Directors of TLH and to provide that the number of persons who serve on the RHS Board of Directors by virtue of membership on the Board of Directors of LHS or TLH shall be at least 40% of the number of persons who serve on the RHS Board of Directors who are not either management personnel of RHS or members of the RHS Board as a result of LHS or other affiliations. Currently, the number of RHS Board members who are not either RHS management or serving by virtue of other affiliations is seventeen (17), and there are three (3) RHS Directors who are also management personnel and two (2) who serve by virtue of other affiliations (one member of the Lee's Summit Hospital Board of Directors and the Chancellor of the University of Kansas). Therefore, the parties currently contemplate that the RHS Board of Directors immediately following closing will consist of twenty-nine (29) members as follows:

Nonmanagement/Nonaffiliations	17
LHS Directors	7
RHS Management	3
Other Affiliations	2
Total	29

The parties acknowledge that RHS is currently negotiating a potential affiliation with the Rehabilitation Institute of Kansas City which may result in an additional member of the RHS Board of Directors by virtue of affiliation either before or after closing of this transaction. The parties further acknowledge and intend that LHS representation on the RHS Board of Directors and Executive and Policy Committees be reasonably proportional to the representation of other hospitals and health care organizations which integrate into RHSS. RHS agrees to use its good faith best efforts to achieve the goal of reasonably proportional representation. However, this goal shall not restrict or limit the flexibility of RHS to negotiate future

affiliate representation on the RHS Board of Directors and Executive and Policy Committees which RHS in good faith believes is in the best interests of RHSS as a whole.

Attached as EXHIBIT A is a listing of the initial members of the reorganized Board of Directors for RHS and their respective terms of office;

(b) Require that nominees for LHS representative vacancies on the RHS Board be determined by the vote of a majority of the LHS Board and submitted to the entire Board of RHS for election or rejection. Nominees for non-LHS representative directors on the RHS Board shall continue to be determined by the RHS Policy Committee. Vacancies arising upon resignation or removal of an RHS director shall be filled by a qualified LHS or non-LHS representative, as appropriate, for the balance of the unexpired term by the same nominating and election procedure; and

(c) Provide that two (2) representatives of LHS on the RHS Board shall be voting members of the Executive and Policy Committees of the RHS Board of Directors (and any committees which succeed to the powers and authority of the Executive and Policy Committees), and increase the maximum size of the RHS Executive and Policy Committees from nine (9) to twelve (12) members. Initially, the two (2) LHS representatives on the RHS Executive and Policy Committees will be the Chairman of the Board of LHS and the Chairman of the Board of TLH. After their terms expire or upon resignation or removal of either of them, the LHS representative(s) to succeed them shall be designated by the RHS Policy Committee after consulting with the Chairman of the Board of LHS.

Section 1.2 Change in Governing Structure of LHS. Subject to the terms and conditions hereinafter set forth and only upon satisfaction of the conditions to closing established by this Agreement, on the Closing Date (as defined in Section 5.1 hereinafter), LHS shall amend its Articles of Incorporation and/or By-Laws as appropriate and necessary to:

(a) Provide that RHS shall be the sole member of LHS under Revised Statutes of Missouri, Chapter 355, with the authority to elect the Board of Directors of LHS (as specified in Section 1.3 below) and with all other rights and privileges of a sole member of a not-for-profit corporation organized under R.S.Mo. Chapter 355;

(b) Require that upon dissolution of LHS, all of the remaining assets after satisfaction of outstanding debts will be distributed to RHS or if RHS does not then qualify as an organization exempt from federal income tax under Internal

Revenue Code §501(c)(3), or any successor provision thereto, to such other organization which does so qualify as LHS may designate by resolution of the LHS Board;

(c) Adopt the RHSS levels of approval authority for capital expenditures and consulting and legal fees. Currently, for LHS this will mean the levels of approval authority shown on EXHIBIT B attached hereto will be applicable;

(d) Require that annual budgets adopted by the Board of LHS, TLH and their subsidiaries be subject to approval by RHS; and

(e) Establish such other legally appropriate provisions as mutually agreed by LHS and RHS which are consistent with the foregoing.

HM
Section 1.3 Election and Removal of LHS Directors. The amendments to the LHS Articles of Incorporation and By-Laws which are adopted by LHS at the closing shall establish a Board of Directors of which twenty-five percent (25%) shall be designated RHS representatives. Attached as EXHIBIT C is a listing of the initial members of the reorganized Board of Directors for LHS and their respective terms of office. Future nominations for RHS representative vacancies on the LHS Board shall be determined by the RHS Policy Committee and future nominations for other vacancies on the LHS Board shall be determined by the vote of a majority of the non-RHS directors (and their successors in office) on the LHS Board. All nominees to the LHS Board shall be subject to election by RHS as the sole member, but if RHS shall fail to elect any non-RHS nominee, then RHS must again obtain nominations from the non-RHS members of the LHS Board for any position which RHS so fails to fill. Vacancies arising upon resignation or removal of an LHS director shall be filled by a qualified RHS or non-RHS representative, as appropriate, for the balance of the unexpired term by the same nominating and election procedure.

Except for the Bishop of the Missouri/Kansas Synod of the Evangelical Lutheran Church in America and the Chairman of the TLH Board, each who serve as voting ex officio members of the LHS Board, the amended LHS By-Laws shall provide that directors shall serve three (3) year staggered terms with approximately one-third (1/3) of the directors' terms expiring each year (approximately one (1) RHS representative for each three (3) non-RHS representatives).

The amended LHS By-Laws shall provide that RHS, as sole member, may remove Directors who are not acting in the best interests of LHS; provided, however, that removal of any non-RHS Directors will require the concurring vote of a majority of the

total membership of the LHS Board. Any LHS director who is removed shall continue to serve until his or her successor is duly qualified and elected.

Section 1.4 Governance of TLH and Other LHS Subsidiaries.
Subject to the terms and conditions hereinafter set forth and only upon satisfaction of the conditions to closing established by this Agreement, on the Closing Date (as defined in Section 5.1 hereinafter), TLH and the other LHS subsidiaries shall amend their Articles of Incorporation and/or By-Laws as appropriate and necessary to:

(a) Provide that LHS shall be the sole member of TLH and any other not-for-profit subsidiaries of LHS under Revised Statutes of Missouri, Chapter 355, with the authority to elect the Board of Directors of TLH and with all other rights and privileges of a sole member of a not-for-profit corporation organized under R.S.Mo. Chapter 355;

(b) Require that upon dissolution of TLH and any other not-for-profit subsidiary of LHS, all of the remaining assets after satisfaction of outstanding debts will be distributed to the sole member organization of the dissolving corporation or if such member does not then qualify as an organization exempt from federal income tax under Internal Revenue Code §501(c)(3), or any successor provision thereto, to such other organization which does so qualify as may be designated by resolution of the Board of Directors of the dissolving organization;

(c) Adopt the RHSS levels of approval authority for capital expenditures and consulting and legal fees; except that levels of approval authority for LHS subsidiaries other than TLH may be established promptly following Closing. Currently, for TLH this will mean the levels of approval authority shown on EXHIBIT B attached hereto will be applicable;

(d) Require that annual budgets adopted by the Boards of TLH and the other LHS subsidiaries be subject to approval by LHS and RHS; and

(e) Establish such other legally appropriate provisions as mutually agreed by LHS and RHS which are consistent with the foregoing.

Section 1.5 Election and Removal of TLH and Other Subsidiary Directors; TLH Executive Committee. The amendments to the Articles of Incorporation and By-Laws of TLH and the other LHS subsidiaries which are adopted by them at the closing shall establish a Board of Directors on which RHS shall have the right to representation by at least twenty-five percent (25%) of the directors. RHS may elect to exercise this 25% representation

right with respect to TLH or any other LHS subsidiary either at the closing or at any time thereafter. Attached as EXHIBIT D is a listing of the initial members of the reorganized Boards of Directors for TLH, the other LHS subsidiaries, and their respective terms of office. Future nominations for RHS representative vacancies on the TLH and other LHS subsidiary Boards shall be determined by the RHS Policy Committee and future nominations for non-RHS representative vacancies on such Boards shall be determined by the vote of a majority of the non-RHS directors (and their successors in office) on such Boards. All nominees to the TLH and other subsidiary Boards shall be subject to election by LHS as the sole member or shareholder, but if LHS shall fail to elect any RHS nominee, then LHS must again obtain nominations from the RHS Policy Committee for any position which LHS so fails to fill. Vacancies arising upon resignation or removal of a TLH or other subsidiary Board member shall be filled by a qualified RHS or non-RHS representative, as appropriate, for the balance of the unexpired term by the same nominating and election procedure.

The amended TLH and other LHS subsidiary By-Laws shall provide that directors shall serve three (3) year staggered terms with approximately one-third (1/3) of the directors' terms expiring each year (approximately one (1) RHS representative for each three (3) non-RHS representatives).

The amended TLH and other LHS subsidiary By-Laws shall provide that LHS as sole member or shareholder, may remove Directors who are not acting in the best interests of TLH or the applicable subsidiary; provided, however, that removal of any RHS Directors will require the concurring vote of a majority of the total membership of the TLH or applicable subsidiary Board. Any TLH or other subsidiary director who is removed shall continue to serve until his or her successor is duly qualified and elected.

The amended By-Laws of TLH shall provide that two (2) RHS members of the TLH Board shall serve as voting members of the Executive Committee of the Board of Directors of TLH.

Section 1.6 Expiration of Governance Provisions Because of System Integration. The parties intend that the governance provisions for RHS, LHS, TLH and LHS's other subsidiaries serve to facilitate the integration of LHS, TLH and their subsidiaries into RHSS so that the integrated health care system can function as a single integrated system of health care organizations dedicated to the delivery of a full range of health care services to the Kansas City metropolitan area and surrounding region. The parties believe and intend that five (5) years will be sufficient time to accomplish this system integration. Accordingly, all of the provisions established by Sections 1.1 through 1.5 of this Agreement to guarantee RHS and LHS certain representation on the Boards of Directors and Executive Committees of RHS, LHS, TLH and the subsidiaries of LHS shall expire five (5) years following the

Closing Date established pursuant to Section 5.1 hereafter. Therefore, subject to such member or shareholder approval as may be required by law, the Board of Directors of RHS, LHS, TLH and the subsidiaries of LHS may, five (5) years after the Closing Date, adopt appropriate amendments to their Articles of Incorporation and By-Laws to delete the Director and Executive Committee composition, nomination, election and removal procedures established by this Agreement and to adopt such replacement procedures as shall be determined by the RHS Board of Directors upon recommendation of the RHS Executive Committee to be in the best interests of RHSS as a whole.

Section 1.7 Medical Staffs. The Medical Staffs of RMC and TLH shall remain completely separate, internally autonomous, self-governing Medical Staffs responsible only to the RMC and TLH Boards of Directors respectively in accordance with the RMC and TLH Medical Staff By-Laws and applicable Missouri law. The RMC and TLH Medical Staffs shall have no direct organizational or official interrelationship with each other or with the Medical Staff of any of the other hospitals within the RHS System. LHS and RHS recognize and mutually acknowledge that RMC and TLH shall continue to work independently with their Medical Staffs and Medical Staff organizations, including all hospital based and other contract physicians as in the past, to foster effective, efficient, high quality patient care.

Section 1.8 Hospital Auxiliaries. The RMC and TLH Auxiliaries shall remain responsible solely to RMC and TLH respectively, and shall remain completely separate and apart from any other RHSS hospital auxiliary, and shall have no direct organizational or official interrelationship with the auxiliary of any other hospital. LHS and RHS mutually acknowledge that RMC and TLH shall continue to work independently with their existing Auxiliaries as in the past to further broad-based community support for RMC and TLH, for the mission of each hospital, and for the delivery of high quality patient care in the Kansas City metropolitan community.

Section 1.9 Operational Considerations and Management Structure. The parties hereby incorporate into this Agreement the Operational Considerations and Management Structure Principles set forth in EXHIBIT E attached hereto.

Section 1.10 Hill-Burton Obligations of RMC and TLH. RHS and LHS acknowledge that Research Medical Center ("RMC") and Trinity Lutheran Hospital ("TLH") previously received construction assistance through Title VI of the U.S. Public Service Act (the "Hill-Burton Act"). Under the terms and conditions of the Hill-Burton Act, if either RMC or TLH is "sold or transferred" to a nonqualified entity or if either of them ceases to be a nonprofit hospital within 20 years after completion of construction financed with Hill-Burton funds, then the U.S. Government may have a right to recover some of the Hill-Burton funds. The parties believe and

intend that Closing of this Agreement will not result in either RMC or TLH being "sold or transferred" within the meaning of the Hill-Burton Act. RHS and LHS further acknowledge that prior to and following closing, RMC and TLH intend to continue to operate as nonprofit hospitals and to meet their respective obligations under the Hill-Burton Act, including any applicable uncompensated care and community service obligations.

Section 1.11 Charitable Contribution to Lutheran Church. In the event that at any time prior to January 1, 1995, TLH or Trinity Lutheran Manor, Inc. ("TLM") shall be dissolved, liquidated or merged into or with another entity or all or substantially all of the assets or control of TLH or TLM shall be sold, transferred or otherwise disposed of, RHS agrees that the Missouri-Kansas Synod of the Evangelical Lutheran Church in America (the "Synod") shall receive, as a contribution, the greater of (i) \$375,000 as to TLH and \$125,000 as to TLM, (ii) in the event of a disposition, one-half of the proceeds of or consideration received in respect of any such disposition, or (iii) in the event of a dissolution or liquidation, one-half of the assets of TLH or TLM at the time of any such dissolution or liquidation; provided that the amounts calculated pursuant to clause (ii) and (iii) of this sentence shall in each case be net of the cost of sale or liquidation, the payment of debts of TLH or TLM and the amount of any charitable contributions theretofor made by RHS and/or its subsidiaries (other than LHS and its subsidiaries) to TLH or TLM; and provided further that in no event shall the aggregate contribution to the Synod pursuant to this section exceed \$3,000,000. Notwithstanding the foregoing, no such contribution to the Synod shall be required in the event that TLH or TLM closes its current operating location but continues at all times prior to January 1, 1995 to be an operating hospital or nursing home affiliated with the Synod and to use the net assets for continued hospital or nursing home services in the greater Kansas City metropolitan area, so long as prior to any such relocation, RHS consults in good faith with the Synod and considers the Synod's opinions and recommendations regarding such relocation. It is understood that a closure, sale or other disposition of Trinity Lutheran North (formerly St. Mary's Hospital) alone shall not require a contribution to the Synod pursuant to this Section 1.11 unless it is sold for more than Six Million Dollars (\$6,000,000.00), in which event RHS will contribute Two Hundred Fifty Thousand Dollars (\$250,000.00) to the Synod.

Section 1.12 Church Affiliation of TLH and TLM. Following closing, RHS and LHS will use their best efforts to assist TLH and TLM in qualifying to be social ministry organizations affiliated with the Missouri/Kansas Synod of the Evangelical Lutheran Church in America; provided, however, that such best efforts shall not require any change in the provisions for organization, governance, or operation of RHS, LHS, TLH or TLM which are established by or pursuant to this Agreement. However, the parties agree that the

governing documents of TLH and TLM can include a statement that "church affiliate status shall not cause the Lutheran church(es) (ELCA or Missouri/Kansas Synod) to incur or be subject to the liabilities or debts of" either of them. In the event that affiliate status cannot be achieved for either TLH or TLM within a reasonable period of time after Closing, then RHS and LHS agree that, at the request of the Synod, use of the Lutheran name will be discontinued for LHS, TLH, TLM and any other LHS subsidiaries.

Section 1.13 Chaplaincy Programs. The parties agree that the Lutheran Chaplaincy programs currently administered at TLH and TLM will continue in effect as presently structured for at least five (5) years after the Closing, and that any significant changes in or termination of the Chaplaincy program at either TLH or TLM during the five (5) years following Closing must be approved by the Bishop of the Missouri/Kansas Synod of the Evangelical Lutheran Church in America.

Section 1.14 Indemnification of Church Against Revenue Bond Liability. Following Closing, RHS agrees to indemnify and hold harmless the Missouri/Kansas Synod of the Evangelical Lutheran Church in America (the "Synod") from and against any and all liability, loss, damage, cost, or expense (including reasonable attorney fees) which arises out of the issuance of or the failure to pay any of the principal, interest or other sums due under The Industrial Development Authority of the City of Kansas City, Missouri Hospital Revenue Bonds (Trinity Lutheran Hospital) Series 1986 in the original principal amount of \$24,500,000; provided, however, that such indemnification obligation shall apply only to the extent that the Synod: (a) timely notifies RHS of the bringing of any claim, action, suit or proceeding covered by said indemnification obligation; and (b) grants to RHS control of the defense of any such claim, action, suit or proceeding and the right to determine whether or not to offer or accept any settlement in compromise of the matter. The foregoing indemnity is for the benefit of the Synod only and is not a guaranty of the above described bonds nor is it intended to create any rights in any other party.

Section 1.15 Other Liabilities or Debts. Following closing, RHS agrees not to cause the Missouri-Kansas Synod of the Evangelical Lutheran Church in America to incur or be subject to the liabilities or debts of TLH and TLM, or any other LHS subsidiaries.

Section 1.16 Church Third Party Beneficiary. The parties agree that the Synod shall be a third party beneficiary of the provisions of Sections 1.11 through 1.15.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations of LHS. LHS represents as follows, such representations being given for the purpose of establishing the parameters of investigation by RHS and being limited as set forth in Section 6.2 of this Agreement:

(a) Organization and Existence. LHS, TLH and the other subsidiaries of LHS are corporations duly incorporated, validly existing, and in good standing under the laws of the State of Missouri, and are in good standing in all other jurisdictions in which they are required to be qualified to do business as a foreign corporation.

(b) Authorization, Etc. The execution, delivery and performance by LHS of this Agreement and all related instruments, agreements, and documents has been duly authorized by LHS and its members. The execution, delivery and performance by LHS of these instruments, agreements, and documents is within its corporate power, has been duly authorized by all necessary corporate action, and is not prohibited, restricted, or inhibited by (i) its Articles of Incorporation or By-laws; or (ii) except as disclosed on SCHEDULE 2.1(b) attached hereto, any material law, indenture, contract, instrument or agreement which is binding on LHS, TLH, or any of their subsidiaries (other than contracts for which appropriate consents to this transaction have been or prior to Closing will be obtained). In addition, consummation of the transactions described in this Agreement will not, to LHS's knowledge, result in any material adverse impact upon the business, finances, prospects, relationships, or agreements of LHS, TLH or any of the other subsidiaries of LHS.

(c) Approval of Governmental Bodies. Except as disclosed on SCHEDULE 2.1(c) attached hereto, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by LHS of this Agreement and all related agreements, instruments and documents other than such approvals as have been or prior to Closing will be obtained by LHS.

(d) Enforceability of Obligations. This Agreement and all related agreements, instruments and documents are, or upon execution at the Closing will be, legal, valid and binding obligations and enforceable against LHS, as applicable in accordance with their respective terms, except to the extent of applicable bankruptcy, moratorium, insolvency, reorganization and other laws and legal

principles affecting or limiting creditors' rights generally. In addition, LHS makes no representation regarding the availability of specific performance or other equitable relief or remedies.

(e) Insider Interests. Except as disclosed on SCHEDULE 2.1(e), no present officer or director of LHS, TLH or any of their subsidiaries (a) owns, directly or indirectly, in whole or in part, any of the properties used in their businesses, (b) has received a loan or advance from any of them which is currently outstanding, (c) has any obligation to make any loan to any of them, or (d) has any other business relationship with LHS, TLH or their subsidiaries other than in his or her capacity as an officer or director. To LHS's knowledge, no present officer or director of LHS, TLH or their subsidiaries owns in excess of 5%, directly or indirectly, of any interest in, or controls, or is an employee, officer, director or partner of, or participant in, or consultant to, any corporation, association, partnership, limited partnership, joint venture, or other entity which is a competitor of LHS, TLH or any subsidiary of LHS or TLH.

(f) Financial Statements and Records. Consolidated balance sheets of LHS as of September 30, 1988 (audited), September 30, 1989 (unaudited) and as of all month end reporting periods since September 30, 1988 (unaudited), and of TLH as of September 30, 1988 (audited), September 30, 1989 (unaudited) and as of all month end reporting periods since September 30, 1988 (unaudited), and the related consolidated statements of income and retained earnings and changes in financial position for the periods then ended, and the separate balance sheets and related statements of income and retained earnings and changes in financial position for each other LHS subsidiary for their corresponding fiscal year ends and end of month reporting periods, copies of which have been furnished to RHS, fairly present their financial conditions as of such dates and the results of operations for the periods ended on such dates, all in accordance with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding period, except that with respect to unaudited financial statements (1) notes to financial statements and changes in fund equities are not disclosed, and (2) estimates used to arrive at certain monthly amounts are not determined by using the more precise and more rigorous methods used to compile the unaudited financial statements at year end; and since September 30, 1989, there has been no material adverse change in such conditions or such operations except those described in SCHEDULE 2.1(f) hereto. The unaudited combined balance sheets for LHS and TLH and the separate statements for each subsidiary as of September 30, 1989, and the unaudited combined statements of

operations for the year ended September 30, 1989 and the audited combined balance sheet and combined statements of operations for the fiscal year ended September 30, 1988, copies of which have been furnished to RHS, are based upon accurate information and reasonable assumptions. The separate statements presented are not consolidated and therefore, intercompany receivables, payables and investments are not eliminated or cancelled as would occur in the consolidated statements. Intercompany receivables, payables and investments in the unconsolidated financial statements have not been adjusted or reserved to indicate estimated realizable values. Except as disclosed in letters to management from independent auditors, all of the books and records of LHS, TLH and their subsidiaries, including but not limited to their stock record books, minute books, By-laws, financial records, and books of account, are accurate and complete in all material respects.

(g) Compliance with Law and Other Regulations. LHS, TLH, their subsidiaries and their activities as presently conducted are substantially in compliance with all material requirements of all governmental bodies or agencies having jurisdiction over them, the conduct of their business, the use of their properties and assets, and all premises occupied by them, and, without limiting the foregoing, LHS, TLH and their subsidiaries have all required licenses, permits, certificates, registrations and authorizations needed for the conduct of their business and the use of their properties and the premises occupied by them. SCHEDULE 2.1(g) sets forth each such material license, permit, certificate, registration, or authorization, and the applicable expiration date, if any. LHS has delivered or made available or will prior to Closing deliver or make available to RHS true and correct copies of such licenses, permits, certificates, registrations or authorizations, as well as the most recent fire, safety and other inspection reports relating to the businesses operated by LHS, TLH and their subsidiaries. To LHS's knowledge, there is no act or omission on the part of LHS, TLH or their subsidiaries occurring on or before the date hereof which would subject any of them to the likelihood of any fine or suspension. Except as set forth in SCHEDULE 2.1(g), LHS, TLH and their subsidiaries have not received any notice not heretofore complied with or waived by the responsible authority, from any federal, state or other governmental authority or agency having jurisdiction over their properties or activities, or any insurance or inspection body, that their operations or any of their properties, facilities, equipment, or business procedures or practices fail to comply with any applicable law, ordinance, regulation, building or zoning ordinance, code, or regulation, or requirement of any public authority or body.

(h) Litigation. There is no pending or, to LHS's knowledge, threatened action or proceeding to which LHS, TLH or their subsidiaries is or would be a party before any court, governmental agency or arbitrator, an adverse determination of which would have a material adverse effect upon any of them, other than discussed verbally by representatives of the parties.

(i) Fraud and Abuse. LHS, TLH, and all of LHS's other subsidiaries have not received any notice of any investigation nor is any of them the subject of any pending action or proceeding which alleges that any of them have engaged in any activities which are prohibited under federal statutes Medicare, 42 U.S.C. §1395h(a), or Medicaid, 42 U.S.C. §1396h(a), or the regulations promulgated pursuant to such statutes or related state or local statutes or regulations or which are prohibited by rules of professional conduct, including, but not limited to, any notices or pending investigations or proceedings which allege that any of them has engaged in any of the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any application for any benefit or payment; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment; (iii) failure to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment on its own behalf or on behalf of another, with intent to fraudulently secure such benefit or payment; (iv) knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (A) in return for referring an individual to a person for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (B) in return for recommending, purchasing, leasing or ordering any good, facility, service or item for which payment may be made in whole or in part by Medicare or Medicaid.

(j) Existing Indebtedness. LHS, TLH and their subsidiaries do not have any existing indebtedness of any type except (i) that which was set forth on the combined unaudited balance sheets of LHS and TLH and their subsidiaries as of October 31, 1989, (ii) that which was incurred in the ordinary course of business since such date, and (iii) that which is described on SCHEDULE 2.1(j) hereto.

(k) Leases. LHS, TLH and their subsidiaries have no interest, either as lessee or lessor, in any existing material leases of personal or real property which are not terminable on 30 days notice, except as described on

SCHEDULE 2.1(k) hereto, which schedule shall be updated and delivered to RHS at the time of any material change in the leases described therein.

(l) Outstanding Guaranties. Except as set forth in SCHEDULE 2.1(l), LHS, TLH and their subsidiaries have no guaranties outstanding by which any of them guarantees any indebtedness or any liability of any other person or entity other than the guaranties described on their financial statements.

(m) Taxes; Exempt Status. LHS, TLH and their subsidiaries have filed all required federal and other tax returns and paid any taxes due pursuant thereto or pursuant to any assessment received by either of them except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. Except as disclosed on SCHEDULE 2.1(m), no audit of any federal, state or city income tax returns or other tax returns of LHS, TLH or any of their subsidiaries is in progress, pending, or to LHS's knowledge threatened.

True copies of all federal, state and local income tax, property tax, sales tax, Form 990, and other tax returns, tax examination and audit reports, and statements of deficiencies assessed against or agreed to by LHS, TLH and their subsidiaries since January 1, 1986 have been provided to RHS. All such tax returns were based upon accurate information and were prepared in substantial conformity with the applicable tax laws. All deficiencies assessed against LHS, TLH and their subsidiaries have been paid or are being contested in good faith and are appropriately reserved against on the October 31, 1989 financial statements.

Copies of the Internal Revenue Service determination letters confirming that LHS, TLH, and all other not-for-profit subsidiaries of LHS are organizations exempt from federal income tax under §501(c)(3) of the Code and copies of all other exemption letters issued to them by taxing authorities have been provided to RHS. LHS, TLH, and the other not-for-profit subsidiaries of LHS are not in violation of any of the requirements of §501(c)(3) of the Code or any other provision of the Code or state law which are conditions to the continued maintenance of their tax exempt status under federal or state law. Except as disclosed on SCHEDULE 2.1(m), no audit of the exempt status of LHS, TLH, or any other not-for-profit LHS subsidiary is in progress, pending, or to LHS's knowledge, threatened by any federal, state or local authority.

(n) Employee Plans; Employment Contracts; Labor Matters. LHS, TLH and their subsidiaries have, and at the Closing Date will have, no "employee pension benefit plan"

as that phrase is defined in Section 3(2) of ERISA (herein called a "Plan"), except a defined contribution/benefit pension plan meeting the requirements of ERISA and the Code (herein called "Pension Plan"). LHS, TLH and their subsidiaries have, and at the Closing Date will have, no obligations, contingent or otherwise, written or oral, which are not cancellable upon thirty (30) days notice, under any employment contract, collective bargaining agreement, nonqualified pension or retirement plan, bonus plan, stock option or purchase plan, or other contract or nonterminable agreement benefiting employees generally, group insurance, group hospitalization, or other employee benefit plan other than those listed in SCHEDULE 2.1(n), true and correct copies, certificates or descriptions of which have been delivered to RHS. LHS, TLH and their subsidiaries have performed all material obligations required to be performed under the Pension Plan and all such other agreements and plans and are not in default or in arrears in any material respect under any of the terms thereof. Except as set forth in SCHEDULE 2.1(n), LHS, TLH and their subsidiaries have not within the past three (3) years engaged in discussions with respect to any collective bargaining agreement and have not been the subject of any election with respect to the unionization of any of their employees, nor are any such discussions or elections now pending, contemplated by them, or to LHS's knowledge, threatened by others. LHS, TLH and their subsidiaries have substantially complied with all applicable material federal and state laws relating to the employment of labor, including but not limited to the provisions thereof relative to wages, hours and collective bargaining, and are not liable for any arrears of wages for failure to comply with any of the foregoing, which liability or failure to comply would have a material adverse effect upon any of them. LHS, TLH and their subsidiaries have not received any notice of noncompliance with any of the foregoing. There are no written employment contracts relating to the employees of LHS, TLH or any of their subsidiaries which are not cancellable on 30 days notice, except as set forth on SCHEDULE 2.1(n).

(o) Title to Property. LHS, TLH and their subsidiaries have, and at the Closing will have, good and marketable title to all property and assets purported to be owned by them, subject only to those options, rights of first refusal, liens, restrictions, encumbrances, pledges, and security interests described on SCHEDULE 2.1(o). Except as disclosed on SCHEDULE 2.1(o), the property and assets of LHS, TLH and their subsidiaries are in good condition and repair in all material respects, free of significant defects of materials or workmanship, and are without the present need for any major (ie: in excess of \$100,000 in any one instance or more than \$100,000 above the current fiscal year

budget in the aggregate) replacement equipment, repairs, construction, or reconditions being required by either of them.

(p) Mechanical and Structural Investigation. To verify and confirm the representations and warranties contained in §2.1(o) regarding the condition of the properties of LHS, TLH and their subsidiaries, RHS shall have the right and option at its cost to cause a comprehensive mechanical and structural assessment, inspection and examination, to be performed as to any part or all of such property, such assessment, inspection and review to be made by a competent individual(s) or firm(s) selected by RHS (hereinafter sometimes collectively referred to as "RHS's Mechanical and Structural Consultant"), pursuant to the following:

(1) RHS agrees to promptly cause said mechanical and structural assessment, inspection and review to be commenced and to be expeditiously pursued to completion. LHS, TLH and their subsidiaries shall permit RHS's Mechanical and Structural Consultant to enter upon their properties upon reasonable notice and at reasonable times for the purpose of making said mechanical and structural assessment, inspection and review and to issue a written report (including, without limitation, a report as to the anticipated costs of any necessary repairs, replacements, construction and reconditioning) of such assessment, inspection and review. RHS shall cause RHS's Mechanical and Structural Consultant to conduct its activities so as to minimize to the extent possible any disruption of operations.

(2) If such mechanical and structural assessment report shows the existence of any mechanical or structural conditions requiring major repairs, replacements, construction or reconditioning and in the opinion of RHS the aggregate cost of such major repairs, etc. is materially adverse to the financial condition, business or prospects of LHS, TLH or any of their subsidiaries, such conditions shall entitle RHS to not close the transactions contemplated by this Agreement.

(3) RHS agrees that its legal counsel will, upon request of legal counsel for LHS, provide to legal counsel for LHS a copy of the written report of RHS's Mechanical and Structural Consultant and that legal counsel for the respective parties may discuss the same with their clients who are parties to this Agreement, to provide their respective clients with legal advice in anticipation of potential claims or litigation by

third parties or the parties hereto relating to the matters described in the report, related correspondence, materials or communications. However, disclosures made and discussions held with respect to the contents of the written report and any supplemental, supporting or responsive materials to such report shall be conducted in a manner designed to preserve and protect the attorney-client privilege with respect to and the confidential nature of such information. RHS also agrees to require its Mechanical and Structural Consultant to keep confidential the results of its investigation and the contents of its report and any supplemental, supporting or responsive materials to such report and to disclose the same only to legal counsel for RHS. Unless compelled by law to do so, no party may disclose to third parties the contents of the written report or any supplemental, supportive or responsive materials to such report or of attorney-client discussions with respect thereto without the prior written consent of other parties to this Agreement.

(q) Contracts and Commitments. Except as set forth or described in SCHEDULE 2.1(q) hereto, LHS, TLH and their subsidiaries do not have and at the Closing Date will not have any material contracts or agreements which are not cancellable upon thirty (30) days notice including, but without limiting the generality of the foregoing, any material commitments or obligations, contingent or otherwise, under any contract or agreement (i) for the purchase or sale of inventory, or (ii) for the purchase or sale of supplies, services or other items, or (iii) for the purchase or sale of any equipment or machinery, or (iv) for the performance of services for others; and at the Closing Date LHS, TLH and their subsidiaries will not have any such commitment or obligation except those incurred in the ordinary course of business, those listed in the aforesaid SCHEDULE 2.1(q), or those consented to in writing by RHS. LHS, TLH and their subsidiaries have performed all obligations required to be performed under any such contract or agreement and are not in default or in arrears in any material respect under the terms thereof. Except as disclosed on SCHEDULE 2.1(q), none of them has received notice of any material default or failure of performance under any such contract or agreement, which default or failure has not been waived or cured. Each such contract or agreement is in full force and effect on the date hereof and true and correct copies of each thereof have been or will be, prior to Closing, made available or delivered to RHS.

(r) Accounts Receivable; Reserves. The accounts receivable of LHS, TLH and their subsidiaries reflected on the October 31, 1989 financial statements are, and those

existing on the Closing Date (i) shall be, comprised of valid claims in the full amount thereof against the debtor charged therewith on their books; (ii) except as disclosed on such financial statements or otherwise disclosed to RHS, shall all have been acquired in the ordinary course of business; (iii) shall be subject to no known defenses, set-offs or counterclaims; and (iv) shall be collectible in full, less the reserves for bad debts and third party payor adjustments reflected on the October 31, 1989 balance sheets and on the balance sheets to be delivered to RHS between the date of this Agreement and the Closing Date.

(s) Insurance Coverages. LHS, TLH and their subsidiaries maintain in full force and effect, with no premium arrearages, insurance policies with the companies in the amounts and providing the coverages set forth in SCHEDULE 2.1(s). True and correct copies of all such policies, any endorsements thereto, and of all insurance facility inspection reports have been or will be, prior to Closing, made available or delivered to RHS.

(t) Bank Accounts. SCHEDULE 2.1(t) hereto contains a true and complete list as of October 31, 1989 of all accounts of LHS, TLH and their subsidiaries with banks, trust companies, savings and loan associations, brokerage houses, and money managers, and the names of all persons authorized to draw thereon or to have access thereto.

(u) Trademarks, Trade Names, Etc. SCHEDULE 2.1(u) hereto sets forth all, if any, of the trademarks, trade names, service marks, patents, copyrights, registrations of LHS, TLH and their subsidiaries, or applications with respect thereto, and licenses or rights under the same presently owned, used or intended to be acquired or used by any of them, and to the extent set forth in SCHEDULE 2.1(u), the same have been duly registered in such offices as are indicated thereon.

(v) Accuracy of Information. To LHS's knowledge, the financial materials, schedules and other materials supplied and to be supplied to RHS pursuant to this Agreement are and shall be complete and correct in all material respects, include and shall include all material facts required to describe fairly and accurately the business and properties of LHS, TLH and their subsidiaries, and do not and shall not omit any material fact necessary to make such materials not misleading.

(w) Reports and Returns. LHS, TLH and their subsidiaries have timely filed all significant reports and returns heretofore required by federal, state or municipal authorities and all reports and returns to the various governmental authorities which control, directly or

indirectly, any of their activities. All such reports and returns are based upon accurate information and reasonable assumptions and were prepared and filed in the manner prescribed by applicable law and/or regulation.

(x) Additional Documents Supplied by LHS. LHS has delivered or made available, or will deliver or make available before Closing, to RHS true and exact copies of (i) all cost reports LHS, TLH, their subsidiaries and their predecessors in interest have filed with Medicare and Medicaid for the last three (3) years, as well as all correspondence and other documents relating to any disputes and/or settlements with Medicare or Medicaid within the last three (3) years, and (ii) all appraisal reports, surveys or other documents which evaluate or describe any of the properties and assets of any of them within the last three (3) years, and (iii) all significant reports they and their predecessors in interest have filed with the U.S. Department of Health and Human Services, the U.S. Drug Enforcement Administration, Missouri Division of Health, and Missouri Health Facilities Review Committee, as well as all correspondence and other documents relating to any audits, disputes, and/or settlements with any of these governmental agencies within the last three (3) years, except those reports, correspondence and documents which are privileged or confidential by law.

(y) Subsidiaries, Partnerships and Investments. Except as disclosed in SCHEDULE 2.1(y) hereto, (i) LHS and TLH do not own capital stock or other securities of, or any equity interests or investment in, any nonpublicly traded corporation, partnership, joint venture, or other entity; (ii) all such equity interests in each of the corporations, partnerships, joint ventures and other entities named in such SCHEDULE 2.1(y) are owned directly by LHS and/or TLH free and clear of all mortgages, liens, pledges, charges, security interests, encumbrances, options, rights of third parties, charges and restrictions whatsoever (collectively "Liens") other than those disclosed on SCHEDULE 2.1(y), all of which would not materially adversely effect the operations of LHS, TLH or such entities;

(z) Stock and Records. All of the outstanding capital stock issued to LHS or TLH by any subsidiaries identified on SCHEDULE 2.1(y) was and is properly issued, and, except as disclosed in letters to management from independent auditors, all of their books and records, including but not limited to their stock record books, minute books, By-Laws and books of account, are accurate and complete in all material respects.

(aa) Hazardous Substances. To the knowledge of LHS, and without having undertaken any specific inquiry or environmental assessment similar to that described in section 2.1(bb) below, LHS makes the following environmental representations. All real property, buildings and other improvements thereon owned by LHS, TLH or an LHS subsidiary (for purposes of this Section 2.1(aa), collectively referred to as the "property") have never been and are not currently used as a site for the storage or disposal of solid waste, infectious waste, petroleum products, pesticides, PCBs, asbestos, toxic substances or materials or hazardous substances or materials (herein collectively referred to as "hazardous substances"), except for the temporary storage of any such materials pending proper disposal. Except for the generation of hazardous substances, which have been and are being disposed of in compliance with applicable environmental laws, the property has never been and is not currently used as a site for the generation of hazardous substances. Except as disclosed on SCHEDULE 2.1(bb), no underground fuel storage tanks have ever been nor are they currently located on or within the property. LHS, TLH, their subsidiaries and the property, including any underground fuel storage tanks located within the property, are in full compliance with all environmental laws, and no event has occurred that would constitute non-compliance thereof, whether upon the giving of notice or passage of time or both. No governmental agency or authority has issued any notices or claims or commenced any proceedings regarding or alleging the existence, storage or disposal of hazardous substances on the property, or the discharge or release of hazardous substances from the property. For purposes hereof, "applicable environmental laws" shall mean the Resource Conservation and Recovery Act of 1981 (as amended) ("RCRA"), the Comprehensive Environmental Response Compensation and Liability Act of 1980 (as amended) ("CERCLA"), the Hazardous Waste Management Act of 1978 (as amended), the Clean Air Act of 1970 (as amended), the Toxic Substances Control Act of 1976 (as amended), and any other environmental laws of the United States, the State of Missouri, or the ordinances of any applicable county or municipality, and "hazardous substance" and "release" shall have the meaning specified in such applicable environmental laws.

(bb) Hazardous Substance Investigation (Environmental Assessment). To verify and confirm the representations contained in §2.1(aa) hereinbefore, RHS shall have the right and option at its cost to cause a comprehensive environmental assessment, inspection and examination, including, without limitation, a comprehensive asbestos exposure review, to be performed as to any part or all of such property, such assessment, inspection and review to be

made by a competent individual(s) or firm(s) selected by RHS (hereinafter sometimes collectively referred to as "RHS's Environmental Consultant"), pursuant to the following:

(1) RHS agrees to promptly cause said environmental assessment, inspection and review to be commenced and to be expeditiously pursued to completion. RHS's Environmental Consultant may enter upon the property at reasonable times and upon reasonable notice for the purpose of making said environmental assessment, inspection and review and to issue a written report (including, without limitation, a report as to the existence of any ACM) of such assessment, inspection and review. RHS shall cause RHS's Environmental Consultant to conduct its activities so as to minimize to the extent possible any disruption of operations.

(2) If such environmental assessment report shows the existence of any hazardous substances or other environmental conditions, which in the opinion of RHS's Environmental Consultant require removal, encasement, other protective measures, or other remedial or curative actions, and in the opinion of RHS the cost of such curative actions is materially adverse to the financial condition, business or prospects of LHS, TLH or any of their subsidiaries, the existence of such conditions shall entitle RHS not to close the transactions contemplated by this Agreement.

(3) RHS agrees that its legal counsel will, upon request of legal counsel for LHS, provide to legal counsel for LHS a copy of the written report of RHS's Environmental Consultant and that legal counsel for the respective parties may discuss the same with their clients who are parties to this Agreement, to provide their respective clients with legal advice in anticipation of potential claims or litigation by third parties or the parties hereto relating to the matters described in the report, related correspondence, materials or communications. However, disclosures made and discussions held with respect to the contents of the written report and any supplemental, supporting or responsive materials to such report shall be conducted in a manner designed to preserve and protect the attorney-client privilege with respect to and the confidential nature of such information. RHS also agrees to require its Environmental Consultant to keep confidential the results of its investigation and the contents of its report and any supplemental, supporting or responsive materials to such report and to disclose the same only to legal counsel for RHS. Unless compelled by law to do so, no party may disclose to

third parties the contents of the written report or any supplemental, supportive or responsive materials to such report or of attorney-client discussions with respect thereto without the prior written content of other parties to this Agreement.

Section 2.2 RHS's Representations. RHS represents as follows, such representations being given for the purpose of establishing the parameters of investigation by LHS and being limited as set forth in Section 6.2 of this Agreement:

(a) Organization and Existence. RHS, Research Medical Center ("RMC"), Research Development Group ("RDG"), and Research Ventures Group, Inc. ("RVG") are corporations duly incorporated, validly existing, and in good standing under the laws of the State of Missouri, and are in good standing in all other jurisdictions in which they are required to be qualified to do business as a foreign corporation.

(b) Authorization, Etc. The execution, delivery and performance by RHS of this Agreement and all related instruments, agreements, and documents have been duly authorized by RHS. The execution, delivery and performance by RHS of these instruments, agreements, and documents is within its corporate powers, has been duly authorized by all necessary corporate action, and is not prohibited, restricted, or inhibited by (i) the Articles of Incorporation or By-laws of RHS or any of its subsidiaries; or (ii) except as disclosed on SCHEDULE 2.2(b), any law, indenture, contract, instrument or agreement which is binding on any of them (other than contracts for which appropriate consents to this transaction have been or prior to Closing will be obtained). In addition, consummation of the transactions described in this Agreement will not, to RHS's knowledge, result in any material adverse impact upon the business, finances, prospects, relationships, or agreements of RHS or any of its subsidiaries.

(c) Approval of Governmental Bodies. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by RHS of this Agreement and all related agreements, instruments and documents other than such approvals as have been or prior to Closing will be obtained by RHS.

(d) Enforceability of Obligations. This Agreement and all related agreements, instruments and documents are, or upon execution at the Closing will be, legal, valid and binding obligations and enforceable against RHS, as applicable in accordance with their respective terms, except to the extent of applicable bankruptcy, moratorium, insolvency, reorganization and other laws and legal

principles affecting or limiting creditors' rights generally. In addition, RHS makes no representation regarding the availability of specific performance or other equitable relief or remedies.

(e) Insider Interests. Except as disclosed on SCHEDULE 2.2(e), no present officer or director of RHS, RMC, RDG or RVG (a) owns, directly or indirectly, in whole or in part, any of the properties used in their business, (b) has received a loan or advance from any of them which is currently outstanding, (c) has any obligation to make any loan to any of them, or (d) has any other business relationship with any of them other than in his or her capacity as an officer or director. To RHS's knowledge, no present officer or director of RHS, RMC, RDG or RVG owns in excess of 5%, directly or indirectly, of any interest in, or controls, or is an employee, officer, director or partner of, or participant in, or consultant to, any corporation, association, partnership, limited partnership, joint venture, or other entity which is a competitor of RHS, RMC, RDG or RVG.

(f) Financial Statements. Consolidated balance sheets of RHS as of December 31, 1988 (audited), and as of all month end reporting periods since December 31, 1988 (unaudited), and separate balance sheets of RMC, RDG and RVG as of December 31, 1988 (audited for RMC and unaudited for RDG and RVG), and as of all month end reporting periods since December 31, 1988 (unaudited), and the related consolidated and separate statements of income and retained earnings and statements of cash flows for the periods then ended, copies of which have been furnished to LHS, fairly present their financial condition as of such dates and the results of operations for the periods ended on such dates, all in accordance with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding period, except that with respect to unaudited financial statements (1) notes to financial statements and changes in fund equities are not disclosed, and (2) estimates used to arrive at certain monthly amounts are not determined by using the more precise and more rigorous methods used to compile the unaudited financial statements at year end; and since October 31, 1989, there has been no material adverse change in such condition or such operations except those described in SCHEDULE 2.2(f) hereto. The unaudited combined balance sheets for RHS and separate balance sheets for RMC, RDG and RVG as of October 31, 1989, and the unaudited combined and separate statements of operations for the ten months ended October 31, 1989 and the audited combined and separate balance sheets and statements of operations for the fiscal year ended December 31, 1988, copies of which have been furnished to LHS, are based upon accurate information and reasonable assumptions.

The separate statements presented are not consolidated and therefore, intercompany receivables, payables and investments are not eliminated or cancelled as would occur in the consolidated statements. Intercompany receivables, payables and investments in the unconsolidated financial statements have not been adjusted or reserved to indicate estimated realizable values. Except as disclosed in letters to management from independent auditors, all of the books and records of RHS, RMC, RDG and RVG, including but not limited to their stock record books, minute books, Bylaws, financial records, and books of account, are accurate and complete in all material respects.

(g) Compliance with Law and Other Regulations. RHS, RMC, RDG, RVG, and their activities as presently conducted are substantially in compliance with all material requirements of all governmental bodies or agencies having jurisdiction over them, the conduct of their business, the use of their properties and assets, and all premises occupied by them, and, without limiting the foregoing, each of them has all required licenses, permits, certificates, registrations and authorizations needed for the conduct of their business and the use of their properties and the premises occupied by them. SCHEDULE 2.2(g) sets forth each such material license, permit, certificate, registration, or authorization, and the applicable expiration date, if any. RHS has delivered or made available or will prior to Closing deliver or make available to LHS true and correct copies of the licenses, permits, certificates, registrations or authorizations, as well as the most recent fire, safety and other inspection reports relating to the business of RHS, RMC, RDG and RVG. To RHS's knowledge, there is no act or omission on the part of RHS, RMC, RDG or RVG occurring on or before the date hereof which would subject any of them to the likelihood of any fine or suspension. Except as set forth in SCHEDULE 2.2(g), RHS, RMC, RDG and RVG have not received any notice not heretofore complied with or waived by the responsible authority, from any federal, state or other governmental authority or agency having jurisdiction over their properties or activities, or any insurance or inspection body, that any of their operations or any of their properties, facilities, equipment, or business procedures or practices fail to comply with any applicable law, ordinance, regulation, building or zoning ordinance, code, or regulation, or requirement of any public authority or body.

(h) Litigation. There is no pending or, to RHS's knowledge, threatened action or proceeding to which RHS, RMC, RDG or RVG is or would be a party before any court, governmental agency or arbitrator, an adverse determination

of which would have a material adverse impact upon any of them, except as discussed verbally by representatives of the parties.

(i) Fraud and Abuse. RHS, RMC, RDG and RVG have not received any notice of any investigation nor is any of them the subject of any pending action or proceeding which alleges that any of them has or have engaged in any activities which are prohibited under federal statutes Medicare, 42 U.S.C. §1395h(a), or Medicaid, 42 U.S.C. §1396h(a), or the regulations promulgated pursuant to such statutes or related state or local statutes or regulations or which are prohibited by rules of professional conduct, including, but not limited to, any notices or pending investigations or proceedings which allege that any of them has engaged in any of the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any application for any benefit or payment; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment; (iii) failure to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment on its own behalf or on behalf of another, with intent to fraudulently secure such benefit or payment; (iv) knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (A) in return for referring an individual to a person for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (B) in return recommending, purchasing, leasing or ordering any good, facility, service or item for which payment may be made in whole or in part by Medicare or Medicaid.

(j) Existing Indebtedness. RHS, RMC, RDG and RVG do not have any existing indebtedness of any type which is in excess of \$250,000 per individual obligation except (i) that which was set forth on the combined audited balance sheet of RHS or the separate balance sheets of RMC, RDG and RVG as of December 31, 1988, (ii) that which was incurred in the ordinary course of business since such date, and (iii) that which is described on SCHEDULE 2.2(j) hereto.

(k) Leases. RHS, RMC, RDG and RVG do not have any interest, either as lessee or lessor, in any existing leases of personal or real property which are not terminable on 30 days notice and which require annual rental payments in excess of \$250,000, except as described on SCHEDULE 2.2(k) hereto.

(l) Outstanding Guaranties. Except as set forth in SCHEDULE 2.2(l), RHS, RMC, RDG and RVG do not have any guaranties outstanding by which any of them guarantees any indebtedness or any liability in excess of \$250,000 of any other person or entity other than the guaranties described on the audited consolidated financial statements of RHS or the separate financial statements of RMC, RDG and RVG.

(m) Taxes; Exempt Status. RHS, RMC, RDG and RVG have filed all required federal and other tax returns and paid any taxes due pursuant thereto or pursuant to any assessment received by either of them except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. Except as disclosed on SCHEDULE 2.2(m) to this Agreement, no audit of any federal, state or city income tax returns or other tax returns of RHS, RMC, RDG or RVG is in progress, pending, or to the knowledge of any of them, threatened.

True copies of all federal, state and local income tax, property tax, sales tax, Form 990, and other tax returns, tax examination and audit reports, and statements of deficiencies assessed against or agreed to by RHS, RMC, RDG and RVG since January 1, 1986 have been provided to LHS. All such tax returns were based upon accurate information and were prepared in substantial conformity with the applicable tax laws. All deficiencies assessed against RHS, RMC, RDG and RVG have been paid or are being contested in good faith and are appropriately reserved against on the October 31, 1989 financial statements.

Copies of the Internal Revenue Service determination letters confirming that RHS, RMC and RDG are organizations exempt from federal income tax under §501(c)(3) of the Code and copies of all other exemption letters issued to them by taxing authorities have been provided to LHS. RHS, RMC and RDG are not in violation of any of the requirements of §501(c)(3) of the Code or any other provision of the Code or state law which are conditions to the continued maintenance of their tax exempt status under federal or state law. Except as disclosed on SCHEDULE 2.2(m), no audit of the exempt status of RHS, RMC or RDG is in progress, pending, or to the knowledge of any of them, threatened by any federal, state or local authority.

(n) Employee Plans; Employment Contracts; Labor Matters. RHS, RMC, RDG and RVG have, and at the Closing Date will have, no "employee pension benefit plan" as that phrase is defined in Section 3(2) of ERISA (herein called a "Plan"), except a defined contribution/benefit pension plan meeting the requirements of ERISA and the Code (herein called "Pension Plan"). RHS, RMC, RDG and RVG have, and at the Closing Date will have, no obligations, contingent or

otherwise, written or oral, which are not cancellable upon 30 days notice, under any collective bargaining agreement, nonqualified pension or retirement plan, stock option or purchase plan, or other contract or nonterminable agreement benefiting employees generally, group insurance, group hospitalization, or other employee benefit plan other than those listed in SCHEDULE 2.2(n), true and correct copies, certificates or descriptions of which have been delivered to LHS. RHS, RMC, RDG and RVG have performed all material obligations required to be performed under the Pension Plan and all such other agreements and plans and are not in default or in arrears in any material respect under any of the terms thereof. Except as set forth in SCHEDULE 2.2(n), RHS, RMC, RDG and RVG have not within the past three (3) years engaged in discussions with respect to any collective bargaining agreement and have not been the subject of any election with respect to the unionization of any of their employees, nor are any such discussions or elections now pending, contemplated by them, or to their knowledge threatened by others. RHS, RMC, RDG and RVG have complied with all applicable federal and state laws relating to the employment of labor, including but not limited to the provisions thereof relative to wages, hours and collective bargaining, and are not liable for any arrears of wages for failure to comply with any of the foregoing, which liability or failure to comply would have a material adverse effect upon any of them. RHS, RMC, RDG and RVG have not received any notice of noncompliance with any of the foregoing. Except as disclosed to Robert Stark and/or Richard Catlett, the LHS representatives who will serve on the RHS Executive and Policy Committees following closing, RHS, RMC, RDG and RVG have no written employment contracts with any of their employees which are not cancellable on 30 days' notice.

(o) Title to Property. RHS has, and at the Closing will have, good and marketable title to all property and assets purported to be owned by it, subject only to those options, rights of first refusal, liens, restrictions, encumbrances, pledges, and security interests described on SCHEDULE 2.2(o).

(p) Contracts and Commitments. Except as set forth or described in SCHEDULE 2.2(p) hereto, RHS does not have and at the Closing Date will not have any material contracts or agreements which are not cancellable upon thirty (30) days notice including, but without limiting the generality of the foregoing, any material commitments or obligations, contingent or otherwise, under any contract or agreement (i) for the purchase or sale of inventory, or (ii) for the purchase or sale of supplies, services or other items, or (iii) for the purchase or sale of any equipment or machinery, or (iv) for the performance of services for others; and at the Closing Date RHS will not have any such

material commitment or obligation except those incurred in the ordinary course of business, those listed in the aforesaid SCHEDULE 2.2(p), or those consented to in writing by LHS. Except as disclosed to Robert Stark, Richard Catlett and/or James Heeter, RMC, RDG and RVG do not have and at the Closing Date will not have any contracts or agreements which require annual payment amounts in excess of \$250,000 and which are not cancellable on 30 days notice, including any contracts of the types described in (i) through (iv) of this Section 2.2(p). RHS, RMC, RDG and RVG have performed all obligations required to be performed under any such contract or agreement and are not in default or in arrears in any material respect under the terms thereof. Except as disclosed on SCHEDULE 2.2(p) or to the above mentioned individuals, RHS, RMC, RDG and RVG have not received notice of any material default or failure of performance under any such contract or agreement, which default or failure has not been waived or cured. Each such contract or agreement is in full force and effect on the date hereof and true and correct copies of each thereof have been or will be, prior to Closing, made available or delivered to the appropriate representatives of LHS.

(q) Accounts Receivable; Reserves. The accounts receivable of RHS, RMC, RDG and RVG reflected on their October 31, 1989 financial statements are, and those existing on the Closing Date (i) shall be, comprised of valid claims in the full amount thereof against the debtor charged therewith on their books; (ii) except as disclosed on such financial statements or as otherwise disclosed to LHS, shall all have been acquired in the ordinary course of business; (iii) shall be subject to no known defenses, set-offs or counterclaims; and (iv) shall be collectible in full, less the reserves for bad debts and third party payor adjustments reflected on the October 31, 1989 balance sheets and on the balance sheets to be delivered to LHS between the date of this Agreement and the Closing Date.

(r) Insurance Coverages. RHS, RMC, RDG and RVG maintain in full force and effect, with no premium arrearages, insurance policies with the companies in the amounts and providing the coverages set forth in SCHEDULE 2.2(r). True and correct copies of all such policies, any endorsements thereto, and of all insurance facility inspection reports have been or will be, prior to Closing, made available or delivered to LHS.

(s) Trademarks, Trade Names, Etc. SCHEDULE 2.2(s) hereto sets forth all, if any, of the trademarks, trade names, service marks, patents, copyrights, registrations of RHS, RMC, RDG and RVG, or applications with respect thereto, and licenses or rights under the same presently owned, used

or intended to be acquired or used by them, and to the extent set forth in SCHEDULE 2.2(s), the same have been duly registered in such offices as are indicated thereon.

(t) Accuracy of Information. To RHS's knowledge, the financial materials, schedules and other materials supplied and to be supplied to LHS pursuant to this Agreement are and shall be complete and correct in all material respects, include and shall include all material facts required to describe fairly and accurately the financial condition of RHS, and do not and shall not omit any material fact necessary to make such materials not misleading.

(u) Reports and Returns. RHS, RMC, RDG and RVG have timely filed all significant reports and returns heretofore required by federal, state or municipal authorities and all reports and returns to the various governmental authorities which control, directly or indirectly, any of their activities. All such reports and returns are based upon accurate information and reasonable assumptions and were prepared and filed in the manner prescribed by applicable law and/or regulation.

(v) Additional Documents Supplied by RHS. RHS has delivered or made available, or will deliver or make available before Closing, to LHS true and exact copies of (i) all cost reports RHS, RMC, RDG, RVG and their predecessors in interest have filed with Medicare and Medicaid for the last three (3) years, as well as all correspondence and other documents relating to any disputes and/or settlements with Medicare or Medicaid within the last three (3) years, and (ii) all reports they and their predecessors in interest have filed with the U.S. Department of Health and Human Services, the U.S. Drug Enforcement Administration, Missouri Division of Health, and Missouri Health Facilities Review Committee, as well as all correspondence and other documents relating to any audits, disputes, and/or settlements with any of these governmental agencies within the last three (3) years, except those reports, correspondence and documents which are privileged or confidential by law.

(w) Subsidiaries, Partnerships and Investments. Except as disclosed in SCHEDULE 2.2(w) hereto, (i) RHS, RMC, RDG and RVG do not own capital stock or other securities of, or any equity interests or investment in, any nonpublicly traded corporation, partnership, joint venture, or other entity; (ii) all such equity interests in each of the corporations, partnerships, joint ventures and other entities named in such SCHEDULE 2.2(w) are owned directly or indirectly by RHS, RMC, RDG or RVG free and clear of all mortgages, liens, pledges, charges, security interests, encumbrances, options, rights of third parties, charges and

restrictions whatsoever (collectively "Liens") other than those disclosed on SCHEDULE 2.2(w), all of which would not materially adversely effect the operations of any of them;

(x) Stock and Records. All of the outstanding capital stock issued to RHS, RMC, RDG and RVG by any subsidiaries identified on SCHEDULE 2.2(w) was and is properly issued, and, except as disclosed in letters to management from independent auditors, all of their books and records, including but not limited to their stock record books, minute books, By-Laws and books of account, are accurate and complete in all material respects.

ARTICLE III

CONDUCT OF BUSINESS PENDING CLOSING; CONFIDENTIALITY

Section 3.1 Affirmative Covenants. From and after the signing of this Agreement and continuing until the Closing Date, LHS and RHS shall and shall cause TLH, RMC and the subsidiaries of LHS and RHS to:

(a) Compliance with Laws. Use their best efforts in good faith to comply in all material aspects with all applicable laws, rules, regulations, and orders, including, but not limited to, federal and state laws, rules and regulations applicable to Hospitals, Medicare and Medicaid, the Code, and ERISA, failure to comply with which would have a material adverse effect upon any of them.

(b) Financial and Other Reports. Furnish to designated representatives of each other:

(i) promptly following submission thereof to their respective boards of directors, monthly unaudited financial statements of their operations, together with all management information support data provided to their directors for each such month, including, but not limited to, monthly cash position reports, monthly inpatient activity reports, health care utilization pattern reports by service, and as otherwise reported, productivity pattern reports such as FTE by department or service, and liability issue reports;

(ii) promptly after the filing or receiving thereof, copies of any and all reports and notices which they or any of their subsidiaries file under ERISA with the Pension Benefit Guaranty Corporation ("PBGC"), the U.S. Department of Labor, or the Internal Revenue Service or which they or the Pension Plan receives from PBGC, the U.S. Department of Labor, or

the Internal Revenue Service, and which specifically address the Pension Plan (and are not general mailings to all Plan sponsors);

(iii) promptly after the filing or receiving thereof, copies of any and all reports, notices, and correspondence which they or any of their subsidiaries file with or receive from federal and state agencies regulating Hospitals and which specifically address their operations and are not general mailings to Hospitals, except those which are privileged or confidential by law; and

(iv) promptly after the filing or receiving thereof, copies of all tax returns, reports, notices, and correspondence which they or any of their subsidiaries file with or receive from the Internal Revenue Service, the Missouri Department of Revenue, and any other federal, state, or local agency with taxing authority over any of them, except for general mailings to taxpayers.

(c) Preservation of Business and Corporate Existence. Use reasonable care to operate their businesses in the manner necessary to maintain the good will of their physicians, personnel, allied health professionals, patients, third party payors, customers and suppliers and their reputation in the communities they serve; maintain in good standing their corporate existence and right to transact business in those states in which they are now or may hereafter be doing business; maintain their status as organizations exempt from federal income tax under §501(c)(3) of the Code, and maintain all licenses, permits and registrations necessary to or required for the conduct of their businesses.

(d) Insurance. Insure and keep insured at all times with good and responsible insurance companies: (i) all of their property of an insurable nature, including, without limiting the generality of the foregoing, all real estate, equipment, fixtures and inventories, against fire and other casualties in such manner and to the extent that like properties are usually insured by others operating properties of a similar character in a similar locality; and (ii) against liability on account of damage to persons or property (including professional and general liability insurance and under all applicable worker's compensation laws) in such manner and to the extent that like risks are usually insured by persons conducting similar businesses.

(e) Payment of Taxes. Pay and discharge, before they become delinquent, all taxes, assessments and other governmental charges imposed upon LHS, RHS any of their

subsidiaries, or any of their properties, or any part thereof, or upon the income or profits therefrom and all claims for labor, materials or supplies which if unpaid might be or become a lien or charge upon any of such property, except such items as they are in good faith appropriately contesting and as to which they have provided adequate reserves.

(f) Maintenance of Properties and Leases. Use reasonable care to maintain, preserve and keep their properties and every part thereof in good repair, working order and condition, from time to time; make all needful and proper repairs, renewals, replacements, additions, betterments and improvements thereto; and maintain all leases of real or personal property in good standing, free of any defaults thereunder.

(g) Notice of Material Adverse Effect. Give prompt notice in writing to each other of any nonobservance of any of the covenants in this ARTICLE III or any development or the occurrence of any event, financial or otherwise, which constitutes a default under any agreement relating to borrowed money or which may or shall materially adversely affect the business, properties or affairs of LHS or RHS or their ability to perform their obligations under this Agreement or any other agreements, instruments, or documents related thereto.

(h) Books and Records; Inspection; Bank Audits. Maintain complete and accurate books and records; permit persons designated by RHS and LHS to visit and inspect each other's properties, inspect their books and records (including board reports, copies of filings with governmental agencies, journals, orders, receipts and correspondence which relate to their business or accounts), except those which are privileged or confidential by law, and discuss the affairs, finances and accounts of RHS and LHS with their principal officers, legal counsel, and independent public accountants; all the foregoing inspections and discussions to be at reasonable times.

(i) Notice of Director Meetings. Send written notice prior to all regular and special meetings of the directors of LHS and RHS, and each party shall be entitled to send a representative to any and all such meetings of the other party to this Agreement.

(j) Regular Meetings of Chief Officers. The Chief Executive Officer of LHS and the Chief Operating Officer of RHS and such other personnel as they deem appropriate shall meet on a regular basis as appropriate to review LHS and RHS financial and management reports, short-term and long-term planning, and results of operations.

Section 3.2 Actions Requiring Consent. From and after signing of this Agreement and prior to the Closing Date, except as otherwise consented to or approved in writing, LHS and RHS shall not:

(a) enter into, renew, amend, or terminate any contract or agreement in excess of \$100,000 to which either of them is a party;

(b) sell, lease or transfer all or a substantial part of their properties or assets or subject the same to a mortgage, pledge, lien or other encumbrance; or

(c) incur any other obligation or liability, absolute or contingent, other than current liabilities incurred in the ordinary course of business, or make any loans or advances to any person, firm or corporation which is not a subsidiary of RHS or LHS, or assume, guarantee, endorse or otherwise become liable for the obligations of any person, firm or corporation which is not a subsidiary of RHS or LHS.

Section 3.3 Confidentiality. RHS and LHS, on behalf of themselves and their related entities, mutually agree that any confidential or proprietary matters (except publicly available or freely usable material as otherwise obtained from another source who was rightfully in possession of and entitled to disseminate such material) respecting either party or their respective related entities will be kept in strict confidence by the other party to this Agreement, and shall not be used or disclosed by the other party if the transaction contemplated by this Agreement is not consummated. The provisions of this Section 3.3 shall survive termination of this Agreement. In the event of termination of this Agreement, each party shall use all reasonable efforts to return, upon request, to the other party, all documents (including reproductions thereof) received from or at the direction of the other party (and, as to reproductions, all reproductions made by or on behalf of the receiving party) that include any information not within the exceptions contained in the first sentence of this Section 3.3.

ARTICLE IV

CONDITIONS PRECEDENT TO CLOSING

Closing of this transaction shall not occur unless all of the conditions precedent set forth in this Article IV shall have been satisfied or waived in writing on or before the Closing Date.

section 4.1 Conditions Precedent to RHS's Obligation to close. RHS shall not be obligated to close unless all of the following conditions are satisfied on or before the Closing Date or RHS elects to waive in writing any condition which has not been satisfied:

(a) Compliance. All of the representations of LHS contained in this Agreement shall be true as of the date of this Agreement and shall be deemed to have been made again at and as of the time of the Closing, and shall then be true in all material respects, and LHS shall have caused all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing to be so performed or complied with;

(b) Opinion of Counsel. RHS shall have been furnished with the opinion of counsel to LHS, in form and substance reasonably satisfactory to RHS, dated the Closing Date, to the effect set forth in SCHEDULE 4.1(b) attached hereto;

(c) No Action, Etc. No action or proceeding shall have been brought or threatened before any court or administrative agency to prevent the consummation of, or to seek damages in a material amount by reason of the transactions contemplated hereby, and no governmental authority shall have asserted in writing that the within transaction (or any other pending transaction involving RHS, when considered in light of the effect of the within transaction) shall constitute a violation of law or give rise to liability on the part of RHS;

(d) Legal Matters. All actions, proceedings, instruments and documents required to carry out this Agreement incidental hereto and all other related legal matters, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall have been approved by legal counsel to RHS, which approval shall not be unreasonably withheld, and RHS's legal counsel shall have been furnished with all actions, documents and instruments as they shall have reasonably requested in connection with the transactions contemplated herein;

(e) Incumbency Certificates. RHS shall have received incumbency certificates, dated as of the Closing Date, certifying the incumbency of each officer and director of LHS and containing specimens of the signatures of the officers who are signing documents to be delivered at the Closing;

(f) Certified Resolutions. LHS shall have furnished resolutions, certified by the appropriate officers of LHS, TLH and their subsidiaries, authorizing the transaction

contemplated hereby and amending the Articles of Incorporation and/or By-Laws of each of them in the manner required by Sections 1.2 through 1.5 of this Agreement;

(g) Governmental Compliance. The parties shall have complied with the preclosing requirements, if any, of the Federal Trade Commission, the U.S. Department of Health and Human Services, the Missouri Division of Health, the Missouri Health Facilities Review Committee, and any other governmental agency with jurisdiction to regulate the business of LHS, RHS, TLH and RMC;

(h) Lender Approvals. The parties shall have received written approval of the transaction by any lender or party which may have an agreement with RHS, RMC, LHS, or TLH which limits or restricts the obligations, covenants and conditions to be observed or performed by RHS and LHS hereunder; and

(i) Other Approvals. The parties acknowledge that RHS LHS and/or subsidiaries of either of them may be involved in conflicting joint venture or other relationships. The parties further acknowledge that contractual provisions in such joint venture or other agreements may restrict or prohibit involvement of RHS and LHS in competing ventures, projects or facilities. Therefore, on or before the Closing Date, the parties shall have received satisfactory waiver or resolution of any restriction or prohibition on consummation of the transactions contemplated herein which may result from the joint venture or other agreements of RHS, LHS and/or their subsidiaries.

Section 4.2 Conditions Precedent to the Obligations of LHS to Close. LHS shall not be obligated to close unless all of the following conditions are satisfied on or before the Closing Date or LHS elects to waive in writing any condition which has not been satisfied:

(a) Compliance. All of the representations of RHS contained in this Agreement shall be true as of the date of this Agreement and shall be deemed to have been made again at and as of the time of the Closing, and shall then be true in all material respects, and RHS shall have caused all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing to be so performed or complied with;

(b) Opinion of Counsel. LHS shall have been furnished with the opinion of counsel to RHS, in form and substance reasonably satisfactory to LHS, dated the Closing Date, to the effect set forth in SCHEDULE 4.2(b) attached hereto;

(c) No Action, Etc. No action or proceeding shall have been brought or threatened before any court or administrative agency to prevent the consummation of, or to seek damages in a material amount by reason of the transaction contemplated hereby, and no governmental authority shall have asserted in writing that the within transaction (or any other pending transaction involving LHS, when considered in light of the effect of the within transaction) shall constitute a violation of law or give rise to liability on the part of LHS;

(d) Legal Matters. All actions, proceedings, instruments and documents required to carry out this Agreement incidental hereto and all other related legal matters, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall have been approved by legal counsel to RHS, which approval shall not be unreasonably withheld, and such counsel shall have been furnished with all such actions, documents and instruments as they shall have reasonably requested in connection with the transactions contemplated herein.

(e) Incumbency Certificates. LHS shall have received incumbency certificates, dated as of the Closing Date, certifying the incumbency of each officer and director of RHS and containing specimens of the signatures of each of the officers who are signing documents to be delivered at the Closing;

(f) Certified Resolution. RHS shall have furnished resolutions, certified by the appropriate officer of RHS, authorizing the transactions contemplated hereby, and amending the Bylaws of RHS in the manner required by Section 1.1 of this Agreement;

(g) Governmental Compliance. The parties shall have complied with the preclosing requirements, if any, of the Federal Trade Commission, the U.S. Department of Health and Human Services, the Missouri Division of Health, the Missouri Health Facilities Review Committee, and any other governmental agency with jurisdiction to regulate the business of RHS, LHS, TLH and RMC;

(h) Member Approval. LHS shall have received approval from its members, the Executive Committee of the Missouri/Kansas Synod of the Evangelical Lutheran Church, to consummate the transaction contemplated hereunder;

(i) Lender Approvals. The parties shall have received written approval of the transaction by any lender or party which may have an agreement with RHS, RMC, LHS or TLH which

limits or restricts the obligations, covenants and conditions to be observed or performed by them hereunder; and

(j) Other Approvals. The parties acknowledge that RHS LHS and/or subsidiaries of either of them may be involved in conflicting joint venture or other relationships. The parties further acknowledge that contractual provisions in such joint venture or other agreements may restrict or prohibit involvement of RHS and LHS in competing ventures, projects or facilities. Therefore, on or before the Closing Date, the parties shall have received satisfactory waiver or resolution of any restriction or prohibition on consummation of the transactions contemplated herein which may result from the joint venture or other agreements of RHS, LHS and/or their subsidiaries.

ARTICLE V

CLOSING

Section 5.1 Time and Place. Unless otherwise agreed to by the parties, the Closing under this Agreement for the integration of LHS and its subsidiaries into RHSS shall take place at the offices of LHS, 3030 Baltimore, Kansas City, Missouri, on Wednesday, January 31, 1990, at 9:00 A.M., Local Time. All references in this Agreement, its exhibits and schedules, and in the agreements, instruments and documents delivered pursuant hereto, to the Closing or the Closing Date shall mean January 31, 1990, or such other date as the parties mutually agree.

Section 5.2 Deliveries. At the Closing:

(a) LHS shall deliver to RHS:

(i) Certified resolutions of the LHS, TLH and subsidiary Boards of Directors authorizing LHS, TLH and LHS subsidiaries to amend their Articles of Incorporation and By-Laws in the manner described in Sections 1.2, 1.3, 1.4 and 1.5 of this Agreement;

(ii) Certificates of Good Standing or corporate existence of LHS and TLH issued by the Secretary of State of Missouri, dated not more than thirty (30) days prior to the Closing Date;

(iii) The legal opinion of counsel to LHS as required by Section 4.1(b) hereof;

(iv) Duplicate originals of Amended Articles of Incorporation effecting the modification of the governing structure of LHS, TLH and the LHS

subsidiaries in the form and executed in the manner specified by R.S.Mo. §355.070 and R.S.Mo. §355.075, or R.S.Mo. §351.085 and R.S.Mo. §351.090, as applicable, for filing by the parties with the Missouri Secretary of State. Following Closing, LHS shall cause the Missouri Secretary of State to issue certificates to RHS of the filing of such Amended Articles of Incorporation;

(v) The incumbency certificates required by Section 4.1(e) hereof;

(vi) The certified resolutions required by Section 4.1(f) hereof;

(vii) The By-Laws of LHS, TLH and their subsidiaries amended in the manner required by this Agreement and certified by the Secretaries of LHS, TLH and each subsidiary to have been duly adopted by the Board of Directors of LHS, TLH and each subsidiary;

(viii) Written evidence of the member approval required by Section 4.1(h) hereof; and

(ix) Any such other documentation as counsel to RHS may reasonably request.

(b) RHS shall deliver to LHS:

(i) A certified resolution of the RHS Board of Directors authorizing RHS to amend its By-Laws in the manner described in Section 1.1 of this Agreement;

(ii) A Certificate of Good Standing or corporate existence of RHS issued by the Secretary of State of Missouri, dated not more than thirty (30) days prior to the Closing Date;

(iii) The legal opinion of counsel to RHS as required by Section 4.2(b) hereof;

(iv) The incumbency certificates required by Section 4.2(e) hereof;

(v) The certified resolutions required by Section 4.2(f) hereof;

(vi) The By-Laws of RHS amended in the manner required by this Agreement and certified by the Secretary of RHS to have been duly adopted by the Board of Directors; and

(vii) Any such other documentation as counsel to LHS may reasonably request.

Section 5.3 Post-Closing Actions. The parties acknowledge that the amendments to the LHS Articles of Incorporation and Bylaws which were approved by its members, the members of the Synod Council, in November, 1989 substantially comply with the terms of Sections 1.2 and 1.3 of this Agreement, but do not exactly match the terms of these Sections. The parties agree to close on the basis of the amendments authorized by the Synod in November, and as soon as possible following closing, RHS as sole member of LHS and the Board of LHS will take such corporate action as may be necessary to modify the Articles of Incorporation and Bylaws of LHS to comply exactly with the terms of Sections 1.2 and 1.3 of this Agreement. In addition, following filing of the Amended Articles of Incorporation of LHS with the Missouri Secretary of State, RHS as sole member of LHS will ratify and confirm the election of the RHS representatives to and the terms of office of the LHS representatives on the LHS Board of Directors.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Further Assurances. Each party hereto shall execute such further instruments and documents as counsel for the other party may reasonably require to carry out effectively the transactions contemplated hereby and to evidence the fulfillment of the agreements contained herein and the performance of all conditions to the consummation of such transactions.

Section 6.2 Representations and Agreements Which Do Not Survive Closing.

(a) Except as otherwise set forth in Section 6.2(b) below, the representations and agreements of the parties set forth herein and in the certificates to be delivered at the Closing shall not survive the termination of this Agreement nor shall they survive the Closing and, following termination of this Agreement or the Closing, as the case may be, no party shall have a cause of action or any other remedy based upon the noncompliance of any party with any provision of this Agreement or based upon the omission, untruth or misleading nature of any representation made hereunder. RHS and LHS shall each rely upon their own investigation in determining whether or not to close the transactions contemplated hereunder.

(b) The provisions of Article I, the obligations and agreements of RHS and RHS's Mechanical and Structural Consultant under Section 2.1(p), the obligations and

agreements of RHS and RHS's Environmental Consultant under Section 2.1(bb), the provisions of Section 5.3, the provisions of this Section 6.2, and the provisions of Sections 6.3 through and including Section 6.14 shall survive the Closing. In addition, the provisions of Sections 2.1(p), 2.1(bb), 3.3 and this Section 6.2 shall survive termination of this Agreement.

Section 6.3 Entire Agreement; Construction; Counterparts.

This Agreement, including the financial statements, the Exhibits hereto, and the Schedules delivered pursuant thereto, constitutes the entire agreement of the parties and may not be changed, terminated or discharged orally. The headings appearing in this Agreement have been inserted solely for the convenience of the parties and shall be of no force or effect in the construction of the provisions of this Agreement. This Agreement shall be construed under the laws of the State of Missouri and, subject to Section 6.4 hereinafter, shall be binding upon and inure to the benefit of the parties hereto, their respective successors, and permitted assigns. This Agreement may be executed in several counterparts, and each executed counterpart shall be considered an original of this Agreement.

Section 6.4 Assignment. Except as provided in this Section 6.4, no party to this Agreement may assign its rights or delegate its duties to any other person or entity without the prior written consent of the other party hereto.

Section 6.5 Notices. Notices hereunder shall be effective if deposited in the United States mail, postage prepaid, registered or certified, return receipt requested, and addressed, as follows:

LHS: - Lutheran Health Services, Inc.
3030 Baltimore
Kansas City, MO 64108
Attn: Richard M. Catlett, Chairman

Copy to: James A. Heeter
Stinson, Mag & Fizzell
2100 Boatmen's Center
P. O. Box 19251
Kansas City, MO 64141

RHS: Research Health Services
6400 Prospect
Kansas City, MO 64132
Attn: E. Wynn Presson, President

Copy to:

Larry J. Bingham
Burrell, Seigfreid & Bingham
2800 Commerce Tower
911 Main
Kansas City, MO 64105

Either party may change the address to which notices are to be addressed by giving the other party notice in the manner herein set forth.

Section 6.6 Expenses. Each party to this Agreement shall pay its own costs and expenses (including, without limitation, the fees and expenses of its counsel, auditors, and accountants) incidental to the preparation and carrying out of this Agreement.

Section 6.7 Brokerage Fee. Each of the parties hereto represent and warrant to each other that it has not engaged any broker, finder or other person who would be entitled to a brokerage or other fee or commission in respect of the execution of this Agreement and/or the consummation of the transactions contemplated hereby. With respect to brokerage fees or commissions, RHS shall exonerate, indemnify and hold LHS harmless against and in respect of any and all claims, losses, liabilities and expenses which may be suffered by LHS by reason of any such arrangement or agreement made by RHS, its agents or employees, and LHS shall exonerate, indemnify and hold RHS harmless in respect of any and all claims, losses, liabilities and expenses which may be suffered by RHS by reason of any such arrangement or agreement made by LHS or its agents or employees.

Section 6.8 Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

Section 6.9 Invalidity of Any Provisions. It is the intention of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies of each state and jurisdiction in which such enforcement is sought, and that the unenforceability (or the modification to conform with such laws or public policies) of any provision hereof shall not render unenforceable, or impair, the remainder of this Agreement. Accordingly, if any provision to this Agreement shall be deemed invalid or unenforceable in whole or in part, this Agreement shall be deemed amended to delete or modify, in whole or in part, if necessary, the invalid or unenforceable provisions, or portions thereof, and to alter the balance of this Agreement in order to render the same valid and enforceable.

Section 6.10 Third Parties. Nothing in this Agreement, expressed or implied, is intended to confer upon any person other than the parties hereto any rights or remedies under or by reason of this Agreement.

Section 6.11 Use of Terms Subsidiary, Affiliate and Related Entities. Whenever in this Agreement reference is made to an LHS or RHS subsidiary, affiliate or related entity, in addition to relationships by ownership of stock of corporations whose shares are not publicly traded, the parties also mean relationships with not-for-profit corporations where RHS, RMC, RDG, LHS or TLH has the right to elect a majority of the representatives to the Board of Directors of any such not-for-profit corporation.

Section 6.12 Agreement Regarding Employee Seniority. The parties agree that for a period of five (5) years following Closing, in the event of a reduction in work force when departments at LHS, TLH, or their subsidiaries are merged or consolidated with similar departments at RHS, RMC, or their subsidiaries, that the seniority of the employees from the affected LHS entity or entities will be integrated with the seniority of the employees from the affected RHS entity or entities, which means that in reducing the work force of the consolidated or merged department employees will be laid off in the order of least seniority after integration, and that for purposes of future layoffs within the consolidated or merged department, the continuing personnel will be laid off in the order of least seniority following integration. Integration of seniority shall occur only for the above stated purposes and only during the time period and under the circumstances described above. LHS agrees that, except for the specific situation regarding the integration of seniority described above, the RHS/RMC layoff and recall policy and all other relevant RHS/RMC policies shall govern all aspects of any reduction in work force following the Closing.

Section 6.13 LHS Pension Plan. For a period of five (5) years following the Closing, the LHS Pension Plan described in Section 2.1(n) covering personnel of LHS, TLH and their subsidiaries (the "LHS Plan") shall continue in effect with respect only to the employees of LHS, TLH and their subsidiaries and not with respect to the employees of RHS, RMC and their subsidiaries, unless otherwise required by law or unless the Board of Directors of LHS and the Board of Directors of RHS shall mutually agree to terminate the LHS Plan, combine the LHS Plan with any pension plan of RHS, RMC or their subsidiaries, or otherwise change the structure or employees covered by the LHS Plan. In case of any such change, the Board of Directors of LHS and the Board of Directors of RHS shall mutually agree regarding application of any overfunded portion of the LHS Plan to the extent permitted under applicable law.

Section 6.14 System Financings. For a period of five (5) years following the Closing, RHS agrees that LHS, TLH and/or their subsidiaries will not become legally obligated to repay any part of either the \$57,820,000 Industrial Development Authority of the City of Kansas City, Missouri Insured Flexible Demand Hospital Refunding and Improvement Revenue Bonds, Series 1985 (Research Health Services System), dated October 15, 1985, or the \$13,165,010 Industrial Development Authority of the City of Belton, Missouri Insured Hospital Refunding and Improvement Revenue Bonds, Series 1985 (Research Health Services System), dated October 15, 1985 (collectively the "System Financing"), or any replacement or refinancing, in whole or in part, of the System Financing, nor will the property or assets of LHS, TLH and/or their subsidiaries be pledged or otherwise encumbered in connection with the System Financing, or any replacement or refinancing thereof, unless the Board of Directors of the affected corporation at a meeting duly held or by unanimous written consent approves the affected corporation becoming so obligated, and/or its property or assets becoming so pledged or otherwise encumbered.

In addition, for a period of five (5) years following the Closing, RHS agrees that the \$24,500,000 Industrial Development Authority of the City of Kansas City, Missouri Hospital Revenue Bonds (Trinity Lutheran Hospital) Series 1986, dated September 15, 1986, will not be replaced or refinanced, in whole or in part, unless the Board of Directors of TLH acting at a meeting duly held or by unanimous written consent shall approve such refinancing.

Section 6.15 Termination. This Agreement may be terminated on or before the Closing Date without liability on the part of any party:

- (a) By the mutual consent of all the parties hereto;
- (b) By any party hereto if at the time of Closing a condition to Closing has not been satisfied;
- (c) By any party hereto if there has been a material misrepresentation, misstatement or omission on the part of any other party of the representations of such other party set forth herein or made pursuant hereto, or if there has been any failure on the part of any other party to perform its obligations or comply with its covenants hereunder; or
- (d) By any party hereto if at the time of Closing such party has determined that consummating the transactions set forth in this Agreement is not in the best interests of such party. Each party agrees to notify the other as soon as reasonably possible after any determination to terminate this Agreement has been made.

IN WITNESS WHEREOF, the parties have caused their corporate
cases to be hereunto subscribed by their duly authorized
officers.

RHS:

RESEARCH HEALTH SERVICES

By Arthur Brand
Arthur Brand, Chairman

LHS:

LUTHERAN HEALTH SERVICES, INC.

By Richard M. Catlett
Richard M. Catlett, Chairman